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NSC FOR AF SENIOR DIRECTOR COURVILLE AND DIRECTOR SWAYNE
TREASURY FOR SONIA RENANDO
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SUMMARY

11. (SBU) As the Mission and the Government of Senegal (GOS) prepare to host you, Senegal is on the verge of entering a year-long election campaign leading up to the 2007 elections. The Senegalese are proud to be a predominantly Muslim democracy that preaches tolerance and visibly supports the United States in combating terrorism. The investigation and prosecution of leading politicians and journalists in 2005 has, however, tarnished Senegal's impressive human rights record. Concurrently, the GOS is seeking to enhance economic growth, both short- and medium-term, to reinforce its prospects at the polls. Growth has remained steady at five percent over the last decade. Despite high rates of poverty and illiteracy, Senegal retains a high degree of political stability and coherence. This in turn enables it to be a diplomatic player on a continent replete with conflicts. Senegal's own two-decade old Casamance separatist movement is talking about peace. With U.S. training and assistance, Senegal has become one of the world's top ten contributors of peacekeepers. Senegal aspires to become a more significant trading partner, but internal barriers to export-driven growth and continuing reliance upon foreign assistance have greatly retarded these hopes. The prospect of a successful private sector-driven Millennium Challenge Account (MCA) Compact offers a realistic potential for breaking with the past. Nevertheless, Senegal must do far more to make its investment environment attractive enough to entice serious foreign capital, and also to utilize its own substantial domestic liquidity. Among other factors, Senegal must push forward more vigorously with reforms and strengthen its fragile judiciary that is lacking sufficient resources and often subject to external influences. Senegal could also do much more to develop export agro-industry to benefit its largely agrarian economy as well as develop its relatively advanced telecommunications infrastructure. In addition

to discussing the MCA proposal and U.S. assistance, you could usefully raise the human rights issue. END SUMMARY.

DEMOCRACY IS THRIVING

12. (SBU) Senegal is at an interesting juncture in its post-independence history, almost six years through the seven-year tenure of President Abdoulaye Wade (pronounced "wahd") and a year before parliamentary and presidential elections. Wade was a determined and persistent opposition politician from 1974 who finally won an open, peaceful and highly competitive election in March 2000. His victory was as much due to a strong Senegalese national desire for change after nearly 40 years of socialist party governments, as it was in favor of the "new" vision that Wade was offering. In fact, having raised expectations somewhat unrealistically, Wade has come under tough scrutiny and criticism for not having realized many of his campaign promises. His government also has not made much progress in implementing the visionary projects he trumpeted while in the opposition. Nevertheless, he and his party, the Senegalese Democratic Party or Parti Democratique Senegalais (PDS), have been successful in further institutionalizing democratic values, respect for human rights, expansion of tolerance, advancement of women's rights, and freedom of expression in all its forms. As a consequence, the standards by which the performance of his government is being measured are admittedly higher than those of his predecessors, a healthy sign that the large majority of Senegalese expects democratic behavior from this government.

13. (SBU) In August, Senegal's National Assembly voted to indict former Prime Minister Idrissa Seck on charges of corruption and endangering state security. The corruption charges are directly related to public works projects in the City of Thies. Many Senegalese believe that the

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charges are unfounded and stem from President Wade's desire to sideline a potential rival. In addition to Seck, a number of his supporters have been detained and interrogated by police, and two opposition politicians were detained for two weeks and six months, respectively, after calling for demonstrations against the Government. Moreover, the GOS has pressed charges against Sud FM Radio and the national daily Sud Quotidien for airing and publishing, respectively, an inflammatory interview with a Movement of Democratic Forces of the Casamance (MFDC) military leader who said he would like to "meet Wade on the battlefield with a kalishnikov." That trial is now scheduled for January 6. Taken together, these cases tarnish Senegal's otherwise impressive human rights record.

SENEGAL'S UNIQUE BRAND OF ISLAM

14. (SBU) Wade and other Senegalese leaders operate within a unique context in Africa. In addition to the democratic and tolerant environment noted above, Senegal is 95 percent Muslim. It is instinctively resistant to religious extremism in general and Islamic fundamentalism in particular. One reason for this moderation is Senegal's distinctive, syncretic and flexible interpretation of Islam. Another may be its geographic position at the western edge of the Islamic world. But perhaps the principal reason is the pervasive influence of the Sufi brotherhoods, indigenous homegrown societies that are hostile to external influences that could undercut their religious or political authority. The overwhelming majority of Senegalese identify themselves with one of the four principal Brotherhoods (Tidjane, Mouride, Qu'adria, and Layenne). Politicians use these affiliations to advance their agendas. Furthermore, this religious establishment has always closely associated itself with and strongly supported the state, and has thus reinforced

a strong social contract that has been a bulwark against more extremist religious views.

SENEGAL'S ECONOMY: AN ACHILLES HEEL

15. (SBU) There is general economic stability (a result of traditional indigenous welfare values). Economic growth has averaged five percent annually in recent years. However, more than half the population lives in poverty, one-third to one-half have no reliable employment, and the agricultural sector (in which 60 percent of the population is employed) is weak and unreliable. Historically, agriculture has focused on peanuts as a cash crop adapted to Senegalese soil and climatic conditions. But this sector has been in decline for several years and is unlikely to regain its former importance. Other major exports include phosphates and cotton, but both face difficulties.

16. (SBU) Senegal's manufacturing and services sectors are hampered by major infrastructure weaknesses that prevent Senegal from taking advantage of its favorable geographic location. Senegal's underdeveloped road and dilapidated railway systems do not provide adequate links to Senegal's landlocked neighbors, who could profit from exporting through Dakar's international port. Roads are overly congested in major urban areas as well as poorly maintained almost everywhere in the country. (The Minister of Infrastructure, Equipment and Transportation is only receiving about one third of what he considers the minimum necessary to maintain existing roads.) Electricity supplies are improving, but still very expensive and far from universally available. This is a problem for a rational industrial policy where Senegal suffers a strong comparative disadvantage because of expensive inputs such as electricity. The Port of Dakar, the closest African port to the U.S. and Western Europe, is in great need of modernization to meet the potential demand of the sub-region alone.

17. (SBU) There are some bright spots though. Senegal met its goals in the Highly Indebted Poor Countries (HIPC)

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program and achieved cancellation of its Paris Club debt in July 2004. In December 2005, the IMF and the World Bank announced the cancellation of USD 1.3 billion in multilateral debt, potentially freeing up USD 80 million in yearly debt-service payments. Senegal follows sound macroeconomic policies and has maintained low inflation and restrained public sector spending. The telecommunications system is excellent by African standards, and after South Africa, has the second largest bandwidth available for Internet access on the continent. An American company is rehabilitating the railroad between Dakar and Bamako and has already made significant progress. The national airline, Air Senegal International, has been very successful as a sub-regional entity and recently acquired a new Boeing 737 for both domestic and regional service, with prospects of adding another new 737 in the next year. However, Senegal has not aggressively pursued becoming a FAA Category One country meeting ICAO international air safety standards, which would permit Air Senegal to initiate direct flights to the United States. Nevertheless, the GOS is optimistic that it will attain Category One before the end of 2006.

18. (SBU) Despite some successes the business environment remains difficult. Senegal has traditionally been a French and Lebanese expatriate business preserve. Nonetheless, approximately 50 U.S. companies, including Citibank, Pfizer, Colgate-Palmolive, IBM, Microsoft, Ernst and Young, Fortesa Energy, Suffolk University, Boeing, DHL, UPS, Western Union, and Caterpillar, operate in Senegal. The American Chamber of Commerce in Senegal is active and has many Senegalese entrepreneurs with ties to

the United States as members. Input costs remain very high due to the weak infrastructure, insufficient competition and rigid labor codes and practices. An underfinanced and understaffed judiciary tends to favor plaintiffs against foreign (and domestic) investors. Corruption is an issue, and while Wade has said the right things about combating it, members of his own family are often rumored to demand bribes and percentages of investments. While government rhetoric speaks favorably of the benefits of the private sector, in practice the Government involves itself in many major transactions and potential investments that undermine the principles of free, open and transparent competition. All of the above are factors that need to be addressed alongside Senegal's MCA Compact, as a more favorable business and investment climate will be key to creating employment and to increasing economic growth.

¶9. (U) Senegal's exports to the United States average about USD 3 million per year, principally in frozen fish and foodstuffs for West African immigrants. The Senegalese government long believed that Senegal could revive its once thriving role as a regional center for apparel manufacture through African Growth and Opportunity Act (AGOA) exports. While a few apparel companies are preparing to take advantage of the AGOA here, government and U.S. emphasis is now on preparing Senegalese agricultural exporters to market high quality fish and traditional West African agricultural products to the United States. Other local farmers are pursuing exports of off-season conventional fruits and vegetables, such as green beans.

SENEGAL'S FOREIGN POLICY PRIORITIES START IN NEIGHBORHOOD

¶10. (SBU) Senegal devotes major efforts to maintaining a modicum of stability on its borders. While politically Wade has worked hard to expand Senegal's role on the continent and in world affairs, his government actually expends real resources (financial, material and humanitarian) with its near neighbors. For example, Wade has been engaged in Guinea-Bissau since the September 2003 coup d'etat. Characteristic of Senegal's regional anxieties, Wade and his government continue to express great concern over the eventual transition in nearby Guinea (Conakry) in light of the failing health of its leader and the potential for disruptions there and a

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resulting influx of refugees to Senegal. Also, the sometimes erratic behavior of Gambian President Jammeh, who rules the strategically located strip of land that juts into Senegal, raises Senegalese concerns over The Gambia's stability.

CASAMANCE CONFLICT

¶11. (SBU) The internal conflict in Senegal's southernmost Casamance region has regional security implications because it borders The Gambia and Guinea-Bissau. During the 20 plus years of conflict, some of the Casamance combatants sought refuge in the neighboring countries. Over the past few years, good progress has been made to lower the level of conflict thus easing border tensions. A definitive political resolution to the conflict remains an elusive goal, but the Government and rebels signed a formal cease-fire in December 2004, and a round of negotiations was held earlier this year. We have tried to use our influence with GOS civilian and military institutions as well as with community representatives in the Casamance to achieve reconciliation and a lasting resolution to the conflict.

U.S. ASSISTANCE

¶12. (U) In addition to supporting the Casamance peace

process, U.S. assistance to Senegal has focused on health, education, export promotion, promotion of women's rights, good governance and decentralization. Approximately 130 Peace Corps Volunteers are involved in health, education, natural resource management and micro-enterprise programs. An MCA Compact would more than double annual U.S. aid, and Millennium Challenge Corporation (MCC) staff have labeled Senegal's Compact proposal the most complex and the most potentially transformative of any MCA proposal received to date.

COMMITMENT TO REGIONAL PEACEKEEPING/COOPERATION WITH U.S.

¶13. (SBU) In the 1990s the USG initiated the African Crisis Response Initiative (ACRI), a military assistance and training program, to provide African militaries with the capability of participating in peacekeeping operations, principally in Africa. One objective of this program was to obviate the need for U.S. "boots on the ground" in areas where U.S. interests were at stake. Senegal was a major beneficiary and nearly 1,400 troops received U.S. training under ACRI, which is now known as the Africa Contingency Operations Training and Assistance (ACOTA) program. This has paid major dividends through the engagement of Senegalese troops in their traditional areas of interest (Cote d'Ivoire) and in areas of traditional interest to us (Liberia). Their troops are also deployed in UN peacekeeping operations (PKOs) in Darfur, Sudan and the Democratic Republic of the Congo (DRC), where a Senegalese officer, Lieutenant General (LTG) Baboucar Gaye, commands UN forces. Senegalese paramilitary gendarmes also serve as civilian police in UN PKOs in Bosnia-Herzegovina, Haiti and the DRC. In each of these engagements the Senegalese have earned the well-deserved reputation of being highly professional, disciplined and respectful of civilian populations and customs. Concurrently, the United States has continued to strengthen bilateral cooperation through officer training in the U.S.; an active visits program; provision of military equipment; and successful regional deployments (Liberia, Cote d'Ivoire, Sierra Leone) involving joint operations. The current Armed Forces Chief of Staff, LTG P.K. Fall, is a graduate of the Command and Staff College at Fort Leavenworth, the former commander of ECOWAS troops in Cote d'Ivoire, and a good friend of the United States.

THE U.S.-SENEGAL AGENDA

¶14. (SBU) For the United States, Senegal represents our most important francophone partner in Africa. Perhaps not coincidentally, President Wade views himself as a good friend of President Bush. He basked in the glow of the

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President's visit in July 2003, his December 2004 visit to the White House, Secretary of State Rice and Secretary of Agriculture Johanns' July 2005 visits, and invitations to the last two G-8 summits. For Senegal, the United States represents an attractive alternative to its historical dependence on France. We also embody values that Wade would like to establish in Senegal, particularly economic ones. The basis of our economic successes stands in stark contrast to Senegal's first 40 years of statist socialism. However, there is a realistic appreciation among knowledgeable Senegalese that the United States is not likely to supplant France as its principal partner any time in the foreseeable future.

¶15. (SBU) On terrorism, Senegal has been among the first African states to recognize the dangers posed to its own security by international terrorism. It has cooperated actively with the U.S. in the global war on terrorism, and Senegal has ratified 11 of the 12 key anti-terrorist conventions and protocols identified by the U.S. President Wade has also sent a set of draft laws to the Ministry of Interior that would expand the definition of

terrorist acts and increase punishments for these acts. Senegal is also leading regional efforts to combat terrorist financing. Intelligence sharing and vigilance along Senegal's borders is good and continues to improve through well established channels. A word of caution, though: Senegal has agreed to host the next summit of the organization of the Islamic Conference (OIC), tentatively set for 2007. Because of a lack of resources, it will be highly dependent on Islamic states to finance all the arrangements. We have raised our concerns with Senegal's leaders over the potential for unwanted influences from radical Muslim states, such as Iran. The Senegalese have tried to reassure us that they expect to receive adequate financing from Senegal's "moderate" friends.

¶16. (SBU) We continue to scrutinize Senegal's relationship with Libya and Iran. Thus far, Senegal has done a good job of compartmentalizing and managing those relationships to ensure that they do not act to undermine Senegal's stability. We also continue to remind Senegal's leaders that too close an embrace will neither be well understood nor well appreciated in Washington. Thus far, Wade has gotten the message. With respect to the situation in Iraq, Senegal has been more neutral than during the first Gulf War. (Senegal proudly provided troops to help evict Saddam from Kuwait.) Senegal resisted French pressure to take a more critical posture, and in fact Wade publicly noted his satisfaction that Saddam had been removed from power.

BOTTOM LINE

¶17. (SBU) Senegal under Wade is a good partner, very sympathetic to U.S. interests, and regularly seeking ways to deepen the relationship. Senegal is eager to receive critical MCA funding, and the GOS hopes to conclude its Compact in 2006. Economically, Senegal continues to seek U.S. partners and participants to improve its economy, especially in agro-industry and transport. A larger number of U.S.-trained personnel sympathetic to the American way of doing business now occupy more key governmental, business and civil society positions than ever before, and this trend is growing, especially in education and the private sector, where it is greatly enhanced by new technologies.

¶18. (SBU) Bilateral relations are very warm and continue to deepen as we expand our areas of cooperation and seek additional sectors of mutual benefit. Senegal also carefully considers potential U.S. reactions to its particular foreign policy decisions, sometimes responding favorably when we express our concerns, or when we seek GOS support. In sum, Senegal enjoys a close identification with the United States and many of our policies and values. We just need to be mindful of the human rights issues and of some Senegalese sensitivities to too tight of a public embrace.

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JACKSON